

**MARRIOTT-SLATERVILLE CITY
FINANCIAL STATEMENTS AND
SUPPLEMENTARY DATA**

JUNE 30, 2006

MARRIOTT-SLATERVILLE CITY

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
Marriott-Slaterville City, Utah
Marriott-Slaterville, UT

We have audited the accompanying financial statements of the governmental activities, and each major fund of Marriott-Slaterville City, Utah as of and for the year ended June 30, 2006, which collectively comprise the City's financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the City as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 3, 2006 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 6 and budgetary comparison information on pages 23 and 24 are not a required part of the financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marriott-Slaterville City's basic financial statements. The schedule of impact fees described in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of impact fees has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Davis, Chase & Associates

November 3, 2006

MARRIOTT-SLATERVILLE CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2006

INTRODUCTION

The following is a discussion and analysis of Marriott-Slaterville City's financial performance and activities for the fiscal year ending June 30, 2006.

HIGHLIGHTS

During the year ended June 30, 2006, the City completed construction of the new city hall and continued with additional improvements in the City. The City revised its impact fee study based on continued growth in the City. The City's rural residential subdivision policy appears to be accomplishing the goals of open space preservation.

The assets of the City exceeded its liabilities at the end of the current fiscal year by \$2,194,506 (net assets). Net assets increased by \$524,022.

The City's governmental funds reported combined ending fund balance of \$948,599. Of the combined total fund balance, \$355,505 is available for spending at the discretion of the City as the unreserved and undesignated fund balance, which represents 35% of the General Fund total revenues for the year.

The City has no debt obligations at this time. The City has not issued any bonds or similar debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the City's Basic Financial Statements. The Basic Financial Statements includes three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The government-wide financial statements are comprised of the Statement of Net Assets, and the Statement of Activities. These two statements provide a broad overview of the City's finances. The Statement of Net Assets shows the overall net assets of the City. Increases and decreases in net assets are one indicator of the City's overall financial condition. The Statement of Activities helps to identify functions of the City that are principally supported by taxes and other general revenues (governmental activities).

The fund financial statements provide detailed information about individual major funds and not the City as a whole. A fund is a group of related accounts that the City uses to keep track of specific resources that are segregated for a specific purpose. Some funds are required by law to exist, while others are established internally to maintain control over a particular activity. All of the City's funds are governmental type funds.

Management's Discussion and Analysis

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Marriott-Slaterville City has two Governmental Funds. The General Fund is the chief operating fund of the City. All of the City's activities are reported in the General Fund unless there is a compelling reason to report an activity in some other fund type. The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

There are several differences between Government-Wide and Fund Statements. Capital assets and long-term debt are included on the government-wide statements, but are not reported on the governmental fund statements. Capital outlays result in capital assets on the government-wide statements, but are expenditures on the governmental fund statements.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

	Governmental Activities	
	June 30, 2006	June 30, 2005
Current and other assets	\$ 1,045,745	\$ 1,224,990
Capital assets	1,245,907	846,167
Total assets	2,291,652	2,071,157
Long-term liabilities outstanding	-	-
Other liabilities	97,146	400,673
Total liabilities	97,146	400,673
Net assets:		
Invested in capital assets, net of related debt	1,245,907	846,167
Restricted	593,094	599,580
Unrestricted	355,505	224,737
Total net assets	\$ 2,194,506	\$ 1,670,484

One component of the City's net assets, 57%, reflects investments in capital assets (land, buildings, equipment, and infrastructure) less all outstanding debt that was issued to buy or build those assets. As capital assets, these resources are not available for future spending, nor can they all be readily liquidated to pay off the related liabilities.

Restricted net assets comprise 27% of total net assets and are subject to external restrictions on how they may be used. The remaining 16% of net assets is unrestricted and may be used at the City's discretion to meet its ongoing obligations to citizens and creditors.

Management's Discussion and Analysis

Governmental Activities

	Governmental Activities	
	June 30, 2006	June 30, 2005
Revenues		
Program revenues:		
Charges for services	\$ 385,153	\$ 257,253
Operating grants and contributions	84,897	74,557
Capital grants and contributions	229,606	326,790
General revenues:		
Sales tax	317,853	277,627
Other taxes	21,036	17,363
Other	29,153	17,987
Total revenues	<u>1,067,698</u>	<u>971,577</u>
Expenses:		
General government	199,530	163,284
Public Safety	109,112	142,014
Highways and public improvements	73,706	53,892
Community development	11,501	94,244
Community service	149,827	6,087
Total expenses	<u>543,676</u>	<u>459,521</u>
Increase in net assets	524,022	512,056
Net assets - beginning	<u>1,670,484</u>	<u>1,158,428</u>
Net assets - ending	<u>\$ 2,194,506</u>	<u>\$ 1,670,484</u>

The activities in the governmental funds resulted in an increase in net assets of \$524,022 for the year.

Capital Assets

Marriott-Slaterville City added \$424,801 in new capital assets in governmental activities during the fiscal year. The major expenditures were: Completion of construction on new city hall \$365,203 and office furniture and equipment \$3,811. New infrastructure added through development included: roads \$43,057 and sewer \$12,730.

Fund Balances

The fund balance in the General Fund was increased by \$276,154. In addition, \$213,331 was transferred to the Capital Projects Fund.

During the fiscal year, the fund balance in the Capital Projects Fund decreased \$151,872.

Long-Term Debt

The City currently has no long-term debt.

Management's Discussion and Analysis

General Fund Budgets

Marriott-Slaterville City prepares its budget according to state statutes. The General Fund was adjusted during the year to meet the needs of growth in the City.

Actual General Fund revenues were \$37,661 over the original budget and \$48,160 above the final adjusted budget. Actual General Fund expenses before transfers were \$26,974 below the original budget and \$59,794 below the final adjusted budget.

ADDITIONAL INFORMATION

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of Marriott-Slaterville City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or any other matters related to the City's finances should be addressed to Marriott-Slaterville City, 1570 West 400 North, Marriott-Slaterville, Utah 84404.

MARRIOTT-SLATERVILLE CITY

STATEMENT OF NET ASSETS

JUNE 30, 2006

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 356,790
Due from other governmental units	87,829
Receivables (net of allowance for uncollectible accounts)	8,032
Restricted assets:	
Cash and cash equivalents	593,094
Capital assets:	
Land	90,004
Infrastructure	55,787
Buildings - Construction in progress	940,846
Improvements	200,000
Machinery and equipment	10,356
Less accumulated depreciation	<u>(51,086)</u>
Total assets	<u>2,291,652</u>
LIABILITIES	
Accounts payable	92,581
Accrued liabilities	<u>4,565</u>
Total liabilities	<u>97,146</u>
NET ASSETS	
Investment in general capital assets	1,245,907
Restricted net assets	593,094
Unrestricted net assets	<u>355,505</u>
TOTAL NET ASSETS	<u><u>\$ 2,194,506</u></u>

The accompanying notes are an integral part of these statements.

MARRIOTT-SLATERVILLE CITY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2006

		Net (Expense) Revenue and Changes in Net Assets			
		Program Revenues		Primary Government	
FUNCTIONS/PROGRAMS		Operating		Business-type	
		Charges for	Capital	Governmental	Total
	Expenses	Services	Grants and Contributions	Activities	Activities
PRIMARY GOVERNMENT:	Governmental activities:				
	General Government	\$ 199,530	\$ 254,533	\$ -	\$ 55,003
	Community Development	109,112	79,125	-	143,832
	Highways and Public Improvements	73,706	-	83,152	65,233
	Community Service	11,501	-	-	(11,501)
	Public Safety	149,827	51,495	1,745	(96,587)
	Total governmental activities	543,676	385,153	84,897	155,980
Total primary government		\$ 543,676	\$ 385,153	\$ 84,897	\$ 155,980
General revenues:					
Taxes and special assessments:					
Occupancy and room tax				17,763	17,763
Sales				317,853	317,853
Franchise				3,273	3,273
Unrestricted investment earnings				29,153	29,153
Total general revenues				368,042	368,042
Change in net assets				524,022	524,022
Net assets - beginning				1,670,484	1,670,484
Net assets - ending				\$ 2,194,506	\$ 2,194,506

The accompanying notes are an integral part of these statements.

MARRIOTT-SLATERVILLE CITY

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2006

	General Fund	Capital Projects	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 356,790	\$ -	\$ 356,790
Due from other governmental units	87,829	-	87,829
Receivables (net of allowance for uncollectible accounts)	8,032	-	8,032
Restricted assets:			
Cash and cash equivalents	549,416	43,678	593,094
Total assets	<u>\$ 1,002,067</u>	<u>\$ 43,678</u>	<u>\$ 1,045,745</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 92,581	-	\$ 92,581
Accrued liabilities	4,565	-	4,565
Total liabilities	<u>97,146</u>	<u>-</u>	<u>97,146</u>
Fund balances:			
Reserved for:			
Class "C" Roads	301,558	-	301,558
Capital Projects	-	43,678	43,678
Sewer Maintenance	35,067	-	35,067
Impact Fees	122,257	-	122,257
Liquor Law Enforcement	4,814	-	4,814
EPA Storm Water	85,720	-	85,720
Unreserved fund balance	355,505	-	355,505
Total fund balances	<u>904,921</u>	<u>43,678</u>	<u>948,599</u>
Total liabilities and fund balances	<u>\$ 1,002,067</u>	<u>\$ 43,678</u>	<u>\$ 1,045,745</u>

The accompanying notes are an integral part of these statements.

MARRIOTT-SLATERVILLE CITY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Total fund balances - governmental funds: \$ 948,599

Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Capital assets used in governmental activities are not
financial resources and, therefore, are not reported in the
governmental funds, but they are reported in the Statement
of Net Assets. Capital assets consist of the following:

Land	\$ 90,004
Infrastructure	55,787
Buildings	940,846
Improvements	200,000
Machinery and equipment	10,356
Accumulated depreciation	<u>(51,086)</u>

1,245,907

Net assets of governmental activities

\$ 2,194,506

The accompanying notes are an integral part of these statements.

MARRIOTT-SLATERVILLE CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund	Capital Projects	Total Governmental Funds
REVENUES			
Taxes	\$ 338,889	\$ -	\$ 338,889
Licenses and permits	249,185	-	249,185
Intergovernmental revenue	258,716	-	258,716
Charges for services	5,348	-	5,348
Fines and forfeitures	51,495	-	51,495
Miscellaneous revenue	108,278	-	108,278
Total revenues	<u>1,011,911</u>	<u>-</u>	<u>1,011,911</u>
EXPENDITURES			
Current:			
General government	182,569	-	182,569
Public safety	149,496	-	149,496
Highways and public improvements	73,148	-	73,148
Community services	11,501	-	11,501
Community development	105,712	-	105,712
Capital outlay	-	365,203	365,203
Total expenditures	<u>522,426</u>	<u>365,203</u>	<u>887,629</u>
Excess (deficiency) of revenues over expenditures	<u>489,485</u>	<u>(365,203)</u>	<u>124,282</u>
Other financing sources (uses)			
Transfers in	-	213,331	213,331
Transfers out	(213,331)	-	(213,331)
Total other financing sources and uses	<u>(213,331)</u>	<u>213,331</u>	<u>-</u>
Excess (deficiency) of revenues/sources over (under) expenditures/uses	276,154	(151,872)	124,282
Fund balances - beginning of year	<u>628,767</u>	<u>195,550</u>	<u>824,317</u>
Fund balances - end of year	<u>\$ 904,921</u>	<u>\$ 43,678</u>	<u>\$ 948,599</u>

The accompanying notes are an integral part of these statements.

MARRIOTT-SLATERVILLE CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Amounts reported for governmental activities in the Statement of
Activities are different because:

Net changes in fund balances - total governmental funds	\$	124,282
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Governmental funds report capital outlays as expenditures.

However, in the Statements of Activities the cost of those
assets is allocated over their estimated useful lives and
reported as depreciation expense. This is the amount by
which capital outlays exceeded depreciation in the current
period.

Capital outlays	\$	369,014	
Depreciation expense		<u>(24,503)</u>	
			344,511

Donations of capital assets increase Net Assets in the
Statement of Activities, but do not appear in the
governmental funds because they are not financial resources.

Infrastructure		55,787	
Depreciation expense		<u>(558)</u>	
			<u>55,229</u>

Change in net assets of governmental activities	\$	<u><u>524,022</u></u>
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The accompanying notes are an integral part of these statements.

MARRIOTT-SLATERVILLE CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Marriott-Slaterville City, Utah conform in all material respects to generally accepted accounting principles (GAAP) as applicable to governments. The City has adopted the provisions of the Governmental Accounting Standards Board (GASB). Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements.

The following is a summary of the more significant policies and is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

A. Reporting Entity

Marriott-Slaterville City was incorporated July 1, 1999, in the State of Utah. The City operates under a Council/Mayor form of government and provides the following services as authorized by its charter: Public safety (police and fire), public utilities (sewer), sanitation, highways and streets, social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The criteria set forth by generally accepted accounting principles (GAAP) was used to determine which entities to include in this report. GASB Concepts Statement-1 (Objectives of Financial Reporting) concludes that the basic foundation for governmental financial reporting is accountability. The Concepts Statement asserts that accountability requires governments to answer to the citizenry - to justify the raising of public resources and the purposes for which they are used. In turn, the concept of accountability becomes the basis for defining the financial reporting entity. Under GASB-14 (The Financial Reporting Entity) the financial reporting entity consists of the following:

1. The primary government
2. Organizations for which the primary government is financially accountable
3. Other organizations that, because of the nature and significance of their relationship with the primary government, exclusion from the reporting entity would render the financial statements misleading or incomplete.

Blended component units, although legally separate entities, are in substance part of the government's operations. They are reported as part of the primary government and blended with the appropriate funds.

Discretely presented units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government.

On October 21, 2004, the City established the Pioneer Special Service District. The Board of Directors of the Special Service District include members of the City Council. There was no financial activity in the component unit during the year ended June 30, 2006.

B. Government-wide and Fund Financial Statements

The City's basic financial statements consist of both government-wide statements and fund statements. The government-wide statements focus on the City as a whole, while the fund statements focus on individual funds.

MARRIOTT-SLATERVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (continued)

Government-wide Financial Statements

The government-wide statements present information on all non-fiduciary activities of the primary government. Primary government activities are distinguished between *governmental* and *business-type* activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The *Statement of Net Assets* presents the City's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are restricted when constraints placed upon them are either externally imposed or are imposed by constitutional provisions or enabling legislation. The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. The City does not allocate general government (indirect) expenses to other functions. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

Fund Financial Statements

The financial transactions of the City are recorded in individual funds. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Statements are provided for *governmental funds*. For governmental funds, the emphasis is on *major funds*, with each displayed in a separate column.

The City reports the following major governmental funds:

General Fund - This fund is the principal operating fund of the City. It is used to account for all financial resources not required to be accounted for in another fund.

Capital Projects Fund - This fund accounts for financial resources to be used for the construction of major capital projects.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows. Taxes and fees are recognized in the year in which the related sales or other activity has occurred. Grants and similar items are recognized as revenue when all eligibility requirements have been met.

The governmental fund financial statements are prepared and reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Expenditures are generally recorded when the related liability is incurred.

MARRIOTT-SLATERVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Fund Balances/Net Assets

The following are the City's significant policies regarding recognition and reporting of certain assets, liabilities, and equity.

Pooled Cash and Temporary Investments

Unrestricted and restricted cash balances of both funds are combined to form a pool of cash which is managed by the City Treasurer. Utah State Statutes allow for investments in the Utah Public Treasurer's Investment Fund and Utah Money Management Act (UMMA) approved financial institutions. The UMMA provides for a committee to evaluate financial institutions and provide a list of those qualified as depositories for public funds, including the amount they are authorized to maintain over and above insured amounts. The City Treasurer invests unrestricted and restricted cash with the Utah Public Treasurer's Investment Fund and with local financial institutions. Investments in the pooled cash fund consist primarily of certificates of deposit, repurchase agreements, and time deposits and are carried at cost which approximates market value. Interest income earned as a result of pooling is distributed to the appropriate funds based on month end balances of cash. The City considers all highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

Inventories

No significant inventories are maintained by the City, therefore none are reflected in these statements.

Restricted Assets

Certain resources set aside as reserves in accordance with council resolutions and State statutes are classified as restricted assets on the balance sheet because their use is limited.

Capital Assets

General capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds. Capital assets are reported in the governmental column in the government-wide financial statements. All purchased fixed assets are valued at cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Capital assets are defined as assets with an initial, individual cost of more than \$5,000.

Infrastructure capital assets which are newly constructed are capitalized.

Depreciation of all exhaustible capital assets is charged as an expense in the related program. Accumulated depreciation is reported on the Statement of Net Assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	40 years
Improvements	25-50 years
Equipment	5-7 years
Infrastructure	25-50 years

MARRIOTT-SLATERVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Fund Balances/Net Assets (Continued)

Long-term Obligations

In the government-wide statements, long-term debt obligations are reported as liabilities.

The face amount of debt issued is reported as other financing sources in the governmental fund financial statements.

Net Assets/Fund Balances

The difference between assets and liabilities is *net assets* on the government-wide statements, and *fund balance* on the governmental fund statements.

In the governmental fund statements, fund balances are classified as reserved or unreserved. Reserves represent those portions of fund balance that are not available for expenditures or are legally segregated for a specific future use. Unreserved fund balances are available for future appropriation, though some portions may be designated to represent management's tentative plans for specific future uses.

E. Revenues and Expenditures

The following are the City's significant policies related to recognition and reporting of certain revenues, expenditures, and interfund activity.

Revenue Availability

Under the modified accrual basis of accounting, revenues are considered to be "available" when they are collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues, if applicable, to be available if they are collected within 60 days after the end of the current year. Grants and similar items are recognized as revenue when all eligibility requirements have been met. All other revenues, including sales taxes, are considered to be available if they are collected within 60 days after year-end.

Expenditure Recognition

In governmental funds, expenditures are generally recorded when the related liability is incurred. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures, and proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the City generally uses restricted resources first, then unrestricted resources.

F. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for both the General and Capital Projects funds. All annual appropriations lapse at the fiscal year end. Encumbrance accounting is not used by the City.

MARRIOTT-SLATERVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgets and Budgetary Accounting (Continued)

Summary of City Budget Procedures and Calendar

1. The City Council can amend the budget to any extent, provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance.
2. Budgets are required by the State of Utah for both the General and Capital Project Funds.
3. Each year the City publishes a separate budget document prepared according to this legal level of control.
4. The City's budget is a Financial Plan of all estimated revenues and all appropriations for expenditures. Revenues and Expenditures must balance for the funds required by the State Code as indicated in item 2 above.
5. A tentative budget is presented by the Mayor to the City Council by the first regularly scheduled council meeting in May. The tentative budget is reviewed and tentatively adopted by the Council no later than June 22.
6. The tentative budget is a public record and is available for inspection at the City offices for at least ten days prior to adoption of the final budget.
7. Notice of public hearing on adoption of the final budget is published seven days prior to the public hearing.
8. The public hearing on the tentatively adopted budget is held no later than June 22. Final adjustments are made to the tentative budget by the Council after the public hearing.
9. Occasionally the City Council will exercise their option to open the budget to indicate additional financing sources that become available.
10. The final budget is adopted by ordinance before June 22 and a copy of the budget certified by the Budget Officer is filed with the State Auditor within thirty days of adoption.
11. In connection with budget adoption:
 - a. An annual tax ordinance establishing the property tax rate is adopted before June 22 if applicable.
 - b. The City Treasurer is to certify the property tax rate to the County Auditor before June 22 if applicable.
12. Budgets for the General and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Summary of Action Required for Budget Changes:

The Council may, by resolution, transfer unexpended appropriations from one department to another department within the same fund. The budget appropriation for any department may be reduced by resolution.

Fund budgets may be increased by resolution after a public hearing.

Current Year Excess of Expenditures Over Appropriations:

For the year ended June 30, 2006, expenditures exceeded appropriations in Class "C" Roads by \$3,148.

G. Compensated Absences

City policy provides for vested or accumulated vacation leave. There was no significant accrual at June 30, 2006.

MARRIOTT-SLATERVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Use of Estimates

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. Restricted Resources

The City's policy is to use restricted resources first to fund appropriations when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits

The City's deposits are carried at cost.

At June 30, 2006, the carrying amount of the City's deposits was \$948,058. The bank balance was \$975,489, of which \$135,619 was covered by NCUA and FDIC depository insurance. The remaining \$839,871 balance was uninsured and uncollateralized.

B. Investments

At year-end investments consist of funds in the Utah Public Treasurer's Investment Fund. This investment is administered by the State of Utah and is regulated by the Money Management Council under provisions of the Utah State Money Management Act. The investment is not categorized as to credit risk because it does not represent a security that exists in physical or book entry form. Investments are carried at cost which approximates their fair value.

Investments not subject to categorizations:

	Carrying Amount	Market Value
Utah Public Treasurer's Investment Fund	\$ 1,826	\$ 1,826
Total investments	<u>\$ 1,826</u>	<u>\$ 1,826</u>

C. Summary

Deposits	\$ 948,058
Investment in Utah Public Treasurer's Investment Fund	1,826
Total deposits and investments	<u>\$ 949,884</u>
Equity in pooled cash and investments	\$ 356,790
Restricted cash - capital projects	43,678
Restricted cash - general fund	549,416
Total deposits and investments	<u>\$ 949,884</u>

MARRIOTT-SLATERVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposit and Investment Risk Disclosure. Deposits and investments for Marriott-Slaterville City are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the City's exposure to various risks related to its cash management activities.

Custodial credit risk - deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of City funds to be in *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commission of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The City's deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state statutes require them to be. The City's deposits at June 30, 2006 were \$975,489, of which \$135,619 was insured under federal depository insurance.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City's policy for limiting credit risk for investments is to comply with the Money Management Act. The City is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized basis. The income, gains and losses, net of administrative fees, of the PTIF are allocated based upon the participant's average daily balance. The PTIF pool has not been rated.

Credit risk. Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations; and shares in a money market fund as defined in the Act.

Interest rate risk. Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Concentration of credit risk. The City's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

MARRIOTT-SLATERVILLE CITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2006, was as follows:

	Balance June 30, 2005	Additions	(Deletions)	Balance June 30, 2006
PRIMARY GOVERNMENT				
GOVERNMENTAL ACTIVITIES				
Nondepreciated Assets				
Construction in progress	\$ 575,643	\$ 365,203	\$ (940,846)	\$ -
Land	90,004	-	-	90,004
Total nondepreciated assets	665,647	365,203	(940,846)	90,004
Depreciated Assets				
Infrastructure	-	55,787	-	55,787
Buildings	-	940,846	-	940,846
Improvements	200,000	-	-	200,000
Machinery and equipment	6,545	3,811	-	10,356
Total depreciated assets	206,545	1,000,444	-	1,206,989
Less accumulated depreciation				
Infrastructure	-	(558)	-	(558)
Buildings	-	(19,601)	-	(19,601)
Machinery and equipment	(5,325)	(902)	-	(6,227)
Improvements	(20,700)	(4,000)	-	(24,700)
Total	(26,025)	(25,061)	-	(51,086)
Net assets depreciated	180,520	975,383	-	1,155,903
Governmental activities capital assets, net	\$ 846,167	\$ 1,340,586	\$ (940,846)	\$ 1,245,907

DEPRECIATION EXPENSE

Depreciation expense of governmental activities was charged to functions as follows:

Infrastructure	\$ 558
General government	20,772
Public safety	331
Community Development	3,400
TOTAL	\$ 25,061

NOTE 4 - RESERVATIONS OF FUND BALANCE

Reserved for Class "C" Road - This represents the excess of Class "C" Road funds received over the amount spent.

Reserved for Capital Projects - This represents the excess of Capital Projects funds received over the amount spent.

Reserved for Impact Fees - This represents the excess Impact Fees funds received over the amount spent.

Reserved for Liquor Law Enforcement - This represents State Liquor Funds received over the amount spent.

Reserved for Sewer Maintenance - This represents fees assessed to be used for sewer line maintenance.

Reserved for EPA Storm Water - This represents EPA Storm Water assessments collected over the amount spent.

MARRIOTT-SLATERVILLE CITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006

NOTE 5 - RISK MANAGEMENT

Marriott-Slaterville City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance and participate in a public entity risk pool – the Utah Government Trust. The City maintains comprehensive insurance coverage in aggregate amounts sufficient to protect against all reasonably foreseeable liability risks. Specific liability policies purchased include automobile, general liability, property bond (employee dishonesty), treasurer, public officials and officers, excess liability, and workman's compensation. As of June 30, 2006, there is no anticipation of unpaid claims. Therefore, a liability is not accrued. Settlement amounts have not exceeded coverage for the current year or the three prior years.

NOTE 6 - PENSION PLANS AND RETIREMENT BENEFITS

Plan Description. Marriott-Slaterville City contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System and Public Safety Retirement System for employers with Social Security coverage, cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems. Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes general-purpose financial statements and required supplementary information for the Local Governmental Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. In the Local Governmental Noncontributory Retirement System, Marriott-Slaterville City is required to contribute 11.09% of plan members annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Local Governmental System - Noncontributory

Actual City Contributions Made, by year - Employer:

2006	\$	8,975
2005		8,539
2004		7,345

401K Plan - Contributions Made, by year - Employee:

2006	\$	3,801
2005		3,600
2004		3,581

401K Plan - Contributions Made, by year - Employer:

2006	\$	4,856
2005		4,620
2004		4,581

MARRIOTT-SLATERVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006

NOTE 7 - POST-EMPLOYMENT BENEFITS

Marriott-Slaterville City provides no post-employment benefits for employees, other than COBRA requirements.

NOTE 8 - BUDGETED CHANGES IN GENERAL FUND BALANCE

In compliance with Section 10-6-110 of the Utah State Code, Marriott-Slaterville City has balanced their budget for the year ended June 30, 2006. The following provides a detail of the budgeted increases (decreases) in reserved fund balances.

Budgeted increase - General Fund	\$ 25,000
Budgeted increase - State Liquor Fund	1,450
Budgeted increase - Senior Center reserve	1,500
Budgeted increase - Impact fees	117,000
Budgeted increase - Class "C" road	8,000
Budgeted increase - Sewer maintenance	5,250
Budgeted increase - EPA storm water	<u>10,000</u>
Budgeted increase in reserved fund balances	<u>\$ 168,200</u>

MARRIOTT-SLATERVILLE CITY

**REQUIRED SUPPLEMENTAL
INFORMATION**

JUNE 30, 2006

MARRIOTT-SLATERVILLE CITY

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES TO FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES:				
Taxes				
Sales tax	\$ 240,000	\$ 268,000	\$ 317,853	\$ 49,853
Franchise tax	4,500	3,272	3,273	1
Occupancy and room taxes	18,000	15,000	17,763	2,763
Total taxes	262,500	286,272	338,889	52,617
Licenses and Permits				
Business licenses	18,500	21,800	20,946	(854)
Beer licenses	1,900	2,000	1,300	(700)
Building permits	125,000	72,000	57,858	(14,142)
State building fee	1,250	720	570	(150)
Community development fees	25,000	30,000	41,579	11,579
Impact fees	75,000	145,000	126,932	(18,068)
Total licenses and permits	246,650	271,520	249,185	(22,335)
Charges for Services				
Administrative department	500	1,250	1,217	(33)
Community services	600	4,000	4,131	131
Total departmental	1,100	5,250	5,348	98
Intergovernmental				
Class "C" Road	82,000	82,000	83,152	1,152
Liquor fund	1,450	1,450	1,745	295
Grants	250,000	169,289	173,819	4,530
Total intergovernmental	333,450	252,739	258,716	5,977
Fines & Forfeitures	50,000	45,000	51,495	6,495
Miscellaneous revenues				
Interest earnings	800	20,000	29,153	9,153
Sewer maintenance	6,350	6,350	6,774	424
EPA storm water utility	73,000	73,000	67,373	(5,627)
Other	400	3,620	4,978	1,358
Total miscellaneous revenues	80,550	102,970	108,278	5,308
Total revenues	974,250	963,751	1,011,911	48,160
EXPENDITURES:				
General government				
Legislative	7,000	7,050	7,383	(333)
Judicial	17,500	15,300	11,758	3,542
Executive	4,600	3,950	3,627	323
Administration				
Salaries	93,100	93,480	91,402	2,078
Independent auditor	4,500	5,500	4,400	1,100
Employee benefits	21,500	27,000	21,478	5,522
General operations	54,200	46,220	42,521	3,699
Total general government	202,400	198,500	182,569	15,931

MARRIOTT-SLATERVILLE CITY
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES TO FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	
<u>EXPENDITURES (Continued):</u>				
Public safety				
Sheriff	\$ 135,000	\$ 140,000	\$ 139,732	\$ 268
Animal services	11,000	10,000	9,764	236
Total public safety	146,000	150,000	149,496	504
Highways and public improvement				
Class "C" Road	60,000	70,000	73,148	(3,148)
Total highways and public improvement	60,000	70,000	73,148	(3,148)
Community services				
Parks	4,000	2,000	1,690	310
Recreation	1,000	1,000	416	584
Other community activities	6,250	8,550	9,395	(845)
Total community services	11,250	11,550	11,501	49
Community development				
Engineer and surveyor	30,000	24,000	23,973	27
Planning	2,000	4,500	1,768	2,732
Public works	3,250	4,170	1,554	2,616
Inspector	10,000	10,000	11,100	(1,100)
EPA storm water program	74,500	94,500	54,164	40,336
Capital outlay	5,000	13,000	11,539	1,461
Other	5,000	2,000	1,614	386
Total community development	129,750	152,170	105,712	46,458
Total expenditures	549,400	582,220	522,426	59,794
Excess (deficiency) of revenues over expenditures	424,850	381,531	489,485	107,954
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfers In	-	-	-	-
Operating Transfers Out	(292,050)	(213,331)	(213,331)	-
Total other financing sources (uses)	(292,050)	(213,331)	(213,331)	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	132,800	168,200	276,154	107,954
Fund balance - beginning of year	628,767	628,767	628,767	-
Fund balance - end of year	\$ 761,567	\$ 796,967	\$ 904,921	\$ 107,954

MARRIOTT-SLATERVILLE CITY
OTHER SUPPLEMENTAL INFORMATION

JUNE 30, 2006

MARRIOTT-SLATERVILLE CITY

SCHEDULE OF IMPACT FEES

JUNE 30, 2006

	Storm Drain Impact Fees	Public Safety Impact Fees	Secondary Water Impact Fees	Parks Impact Fees	Road Impact Fees
Year Impact Fees Received:					
June 30, 2004	\$ -	\$ 1,753	\$ -	\$ -	\$ -
June 30, 2005	-	2,008	-	-	-
June 30, 2006	12,123	2,273	35,867	62,694	5,540
Reserves June 30, 2006	<u>\$ 12,123</u>	<u>\$ 6,034</u>	<u>\$ 35,867</u>	<u>\$ 62,694</u>	<u>\$ 5,540</u>
Capital Projects Planned:	Storm Drain	Public Safety	Secondary Water	Parks	Roads
Projected Schedule for Expenditure:	2006-07 2007-08	2006-07 2007-08	2006-07 2007-08	2006-07 2007-08	2006-07 2007-08

MARRIOTT-SLATERVILLE CITY
AUDITOR'S REPORTS AND
AUDITOR'S MANAGEMENT LETTER
JUNE 30, 2006

Davis, Chase & Associates, P.C.

Certified Public Accountants

*Steven J. Davis, CPA, CFP®, PFS
Tarina Chase, CPA
Ann Singleton, CPA*

INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

To the Honorable Mayor and City Council
Marriott-Slaterville City, Utah
Marriott-Slaterville, UT 84315

We have audited the accompanying financial statements of the governmental activities, and each major fund of Marriott-Slaterville City, for the year ended June 30, 2006, and have issued our report thereon dated November 3, 2006. As part of our audit, we have audited Marriott-Slaterville City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major State assistance programs from the State of Utah:

B & C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

The City did not receive any nonmajor State grants during the year ended June 30, 2006.

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide including:

Public Debt	Liquor Law Enforcement
Cash Management	Uniform Building Code Standards
Purchasing Requirements	Impact Fees
Budgetary Compliance	Other Compliance Issues
B & C Road Funds	

The management of Marriott-Slaterville City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE
PAGE 2

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming an opinion on compliance, which is expressed in the following paragraph.

In our opinion, Marriott-Slaterville City, Utah complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

Davis, Chase & Associates

November 3, 2006

Davis, Chase & Associates, P.C.

Certified Public Accountants

Steven J. Davis, CPA, CFP®, PFS

Tarina Chase, CPA

Ann Singleton, CPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and City Council
Marriott-Slaterville City, Utah
Marriott-Slaterville, Utah 84315

We have audited the financial statements of the governmental activities, and each major fund of Marriott-Slaterville City, Utah, as of and for the year ended June 30, 2006 and have issued our report thereon dated November 3, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Marriott-Slaterville City, Utah's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of Marriott-Slaterville City, Utah in a separate letter dated November 3, 2006.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marriott-Slaterville City, Utah's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE

Page 2

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over the financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we have reported to the management of Marriott-Slaterville City, Utah in a separate letter dated November 3, 2006.

This report is intended for the information of the audit committee, legislative body, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Davis, Chase & Associates

November 3, 2006

Davis, Chase & Associates, P.C.

Certified Public Accountants

Steven J. Davis, CPA, CFP®, PFS

Tarina Chase, CPA

Ann Singleton, CPA

To the Honorable Mayor and City Council
Marriott-Slaterville City, Utah
Marriott-Slaterville, Utah 84315

We have recently completed our audit examination for the year ended June 30, 2006. During the course of our audit, we observed a few items we feel require your consideration. They are as follows:

1. **EXCESS FUND BALANCE**

The fund balance in the General Fund is in excess of the limitations set by state law. Section 10-6-116 (2) of the Utah Code Annotated, 1953, as amended sets forth the amount of the fund balance that may be accumulated in the General Fund as follows: The accumulation of a fund balance in the General Fund shall not exceed 18% of the total estimated revenue of the General Fund.

We recommend the excess over the maximum allowed be recognized in the budget of the current year or in the budget for the succeeding year.

Management Response

The City is aware of the excess and will either incorporate the excess in the budget when the budget is reopened and amended or in the following year. The City currently does not levy property taxes.

2. **EXCESS OF EXPENDITURES OVER BUDGET BY DEPARTMENT**

The City should not incur expenditures in excess of the total appropriation for any department as adopted in the final budget. For the year ended June 30, 2006, the expenditures for Class "C" Roads exceeded the budget.

We recommend the City review their budget vs. actual expenditures on a regular basis. The City's actual expenditures should not exceed budget appropriations for any department. Budget amendments can be adopted if proper budgetary procedures are followed.

Management Response

The City is aware of these excess expenditures and will monitor the expenditures as compared to the budget and/or budget amendments on a regular basis.

We appreciate the cooperation and assistance we have received from City personnel during the audit.

David, Chase + Associates

November 3, 2006

MARRIOTT-SLATERVILLE CITY
STATUS OF FISCAL YEAR 2005 FINDINGS
AND RECOMMENDATIONS
YEAR ENDED JUNE 30, 2006

1. EXCESS FUND BALANCE

The fund balance in the General Fund is in excess of the limitations set by state law. Section 10-6-116(2) of the Utah Code Annotated, 1953, as amended sets forth the amount of the fund balance that may be accumulated in the General Fund as follows: The accumulation of a fund balance in the General Fund shall not exceed 18% of the total estimated revenue of the General Fund.

We recommend the excess over the maximum allowed be recognized in the budget of the current year or in the budget for the succeeding year.

Management Response

The City is aware of the excess and will either incorporate the excess in the budget when the budget is reopened and amended or in the following year. The City currently does not levy property taxes.

Status: Partially Implemented.

2. EXCESS OF EXPENDITURES OVER BUDGET BY DEPARTMENT

The City should not incur expenditures in excess of the total appropriation for any department as adopted in the final budget. For the year ended June 30, 2005, the expenditures for Community Development Department and the Capital Projects Fund exceeded the budget.

We recommend the City review their budget vs. actual expenditures on a regular basis. The City's actual expenditures should not exceed budget appropriations for any department. Budget amendments can be adopted if proper budgetary procedures are followed.

Management Response

The City is aware of these excess expenditures and will monitor the expenditures as compared to the budget and/or budget amendments on a regular basis.

Status: Partially implemented

3. QUARTERLY BUILDING PERMIT REPORTS

The quarterly building permit reports submitted to the Division of Occupational and Professional Licensing were not completely reconciled with the general ledger amounts received. This resulted in some building permits not being reported and the surcharge not being remitted to the State of Utah.

We recommend the quarterly reports be reconciled with the general ledger amounts received to insure an accurate reporting.

Management Response

The City will reconcile these reports on a quarterly basis with the general ledger and will make an adjustment on the next quarterly report to correct the prior periods.

Status: Implemented